

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Sylvan Lake	County Oakland
Fiscal Year End June 30, 2007	Opinion Date December 19, 2007	Date Audit Report Submitted to State December 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

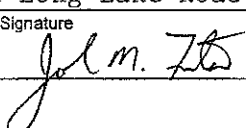
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Janz & Knight, P.L.C.		Telephone Number 248-646-9666	
Street Address 300 East Long Lake Road, Suite 360		City Bloomfield Hills	State MI
		Zip 48304-2377	
Authorizing CPA Signature 	Printed Name John M. Foster		License Number 1101016537

CITY OF SYLVAN LAKE  
OAKLAND COUNTY, MICHIGAN  

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Report on Audit of Accounts

June 30, 2007  

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CITY OF SYLVAN LAKE, MICHIGAN

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CITY OF SYLVAN LAKE, MICHIGAN

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**50**  
YEARS  
**1954-2004**

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Members of the Council  
City of Sylvan Lake  
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sylvan Lake, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Sylvan Lake, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sylvan Lake, Michigan, as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sylvan Lake, Michigan basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Very truly yours,

*Janz & Knight, P.L.C.*

Certified Public Accountants

Bloomfield Hills, Michigan

December 19, 2007

## CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sylvan Lake's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$3,544,445 at the close of the year ended June 30, 2007. This represents an increase of \$238,719 or a 7% increase from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase of approximately \$151,000. The business-type activities has experienced an approximate increase in net assets of \$88,000.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2007 and 2006:

Table 1  
Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>						
Current and other assets	\$ 2,147,493	\$ 1,537,948	\$ 1,493,110	\$ 1,447,277	\$ 3,640,603	\$ 2,985,225
Capital assets	<u>4,187,311</u>	<u>4,306,348</u>	<u>2,478,883</u>	<u>2,488,369</u>	<u>6,666,194</u>	<u>6,794,717</u>
Total assets	<u>\$ 6,334,804</u>	<u>\$ 5,844,296</u>	<u>\$ 3,971,993</u>	<u>\$ 3,935,646</u>	<u>\$10,306,797</u>	<u>\$ 9,779,942</u>
<b>LIABILITIES AND NET ASSETS</b>						
Current and other liabilities	\$ 404,474	\$ 384,710	\$ 192,878	\$ 159,506	\$ 597,352	\$ 544,216
Long term debt outstanding	<u>4,345,000</u>	<u>4,025,000</u>	<u>1,820,000</u>	<u>1,905,000</u>	<u>6,165,000</u>	<u>5,930,000</u>
Total liabilities	\$ 4,749,474	\$ 4,409,710	\$ 2,012,878	\$ 2,064,506	\$ 6,762,352	\$ 6,474,216
Net assets:						
Invested in capital assets, net of related debt	246,369	304,780	573,883	498,369	820,252	803,149
Restricted	798,623	655,539			798,623	655,539
Unrestricted	<u>540,338</u>	<u>474,267</u>	<u>1,385,232</u>	<u>1,372,771</u>	<u>1,925,570</u>	<u>1,847,038</u>
Total net assets	<u>\$ 1,585,330</u>	<u>\$ 1,434,586</u>	<u>\$ 1,959,115</u>	<u>\$ 1,871,140</u>	<u>\$ 3,544,445</u>	<u>\$ 3,305,726</u>
Total liabilities and net assets	<u>\$ 6,334,804</u>	<u>\$ 5,844,296</u>	<u>\$ 3,971,993</u>	<u>\$ 3,935,646</u>	<u>\$10,306,797</u>	<u>\$ 9,779,942</u>

## CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2007

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled approximately \$799,000. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the years ended June 30, 2007 and 2006:

Table 2  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program revenue:						
Charges for services	\$ 441,895	\$ 363,417	\$ 697,489	\$ 672,631	\$ 1,139,384	\$ 1,036,048
Operating grants and contributions	113,516	123,243			113,516	123,243
Capital grants and contributions	14,336	14,053			14,336	14,053
General revenue:						
Property taxes	1,339,082	1,275,430	173,657	171,910	1,512,739	1,447,340
State shared revenue	146,073	150,161			146,073	150,161
Interest income	83,087	67,103	68,355	60,272	151,442	127,375
Franchise fees	25,522	22,832			25,522	22,832
Miscellaneous	7,003	4,948			7,003	4,948
Sale of fixed assets	25,910				25,910	
Total revenue	\$ 2,196,424	\$ 2,021,187	\$ 939,501	\$ 904,813	\$ 3,135,925	\$ 2,926,000
Program expenses:						
General government	347,894	220,095			347,894	220,095
Public safety	777,297	785,734			777,297	785,734
Public works	575,572	671,486			575,572	671,486
Community and economic development	77,004	68,885			77,004	68,885
Recreation and culture	110,589	96,251			110,589	96,251
Interest on long term debt	157,324	161,060			157,324	161,060
Sewer and water			829,842	710,860	829,842	710,860
Recreational vehicle storage			21,684	9,685	21,684	9,685
Total program expenses	\$ 2,045,680	\$ 2,003,511	\$ 851,526	\$ 720,545	\$ 2,897,206	\$ 2,724,056
Increase in net assets	\$ 150,744	\$ 17,676	\$ 87,975	\$ 184,268	\$ 238,719	\$ 201,944
Net assets - beginning of year	1,434,586	1,416,910	1,871,140	1,686,872	3,305,726	3,103,782
Net assets - end of year	\$ 1,585,330	\$ 1,434,586	\$ 1,959,115	\$ 1,871,140	\$ 3,544,445	\$ 3,305,726

As shown in the above table total revenues were approximately \$3.1 million, of which 48% was obtained from property taxes, 36% for fees charged for services and 5% for state shared revenues. Total expenses were approximately \$2.9 million, of which 29% was for sewer and water operations, 27% for public safety and 20% for public works.

#### Business Type Activities

The City's business-type activities consists of the Sewer and Water Operation Funds and Recreational Vehicle Storage Fund. The City provides sewer service to 843 customers and water service to 861 customers. During the year the City constructed Sewer and Water System improvements of \$43,771 and \$32,591, respectively.

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2007

The City Funds

The analysis of the City's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2007 include the General Fund, Major Road Fund, Local Road Fund, Garbage and Rubbish Collection Fund, Street Drainage Debt Fund and the Community Center Capital Project Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$1,307,000. Of this revenue, 57% was from property taxes, 19% was from charges for services and 12% was from state shared revenues. Total expenditures for the year were approximately \$1,228,000. Of these expenditures, 46% was for public safety and 16% was for general government. At June 30, 2007 the unreserved fund balance of \$558,917 represented 45% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at June 30, 2007 was \$216,288.

The Local Road Fund accounts for repairs, maintenance and construction of all City local streets. The fund balance of this fund at June 30, 2007 was \$158,605.

The Garbage and Rubbish Collection fund accounts for the collection for garbage and rubbish within the City. Significant savings resulted from the elimination of the leaf program. The fund balance of this fund at June 30, 2007 was \$239,065.

The Street and Drainage Debt Service Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs associated with the construction of City streets and drains. The fund balance of this fund at June 30, 2007 was \$8,480.

The Community Center Capital Project Fund is a capital project fund used to account for financial resources such as bond proceeds and other revenue necessary for the purpose of construction of a community center. The fund balance of this fund at June 30, 2007 was \$455,641.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. The budgets for legal cost, planning commission contracted service, and benefits were amended to reflect increased costs.

City departments overall stayed below budget, resulting in total expenditures \$110,389 below budget. In addition, actual revenue exceeded budgeted amounts by \$30,819. This resulted in the General Fund's addition to fund balance of approximately \$79,000 compared to a budgeted use of \$62,000 of prior year fund balance.

Capital Asset and Debt Administration

At the end of June 30, 2007, the City had \$6,666,194 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and water and sewer lines.

During the year, the City spent \$70,956 on the major and local streets construction project which started prior to 2004.

Other major expenditures for capital asset during the year included the following:

1. Sewer System improvements - \$43,771;
2. Water System improvements - \$32,591;
3. Police vehicle - \$22,248;
4. Water meters and reading equipment - \$6,354.

Long-Term Debt

The City's total indebtedness at June 30, 2007 was \$6,430,000. Bonds were sold for construction of the Community Center for \$500,000 during the year. The City maintains a "A+" rating from Standard & Poor's. Additional information on the City's long-term debt can be found in Note F.



## CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2007

Economic Factors and Next Year's Budgets and Rates

The City's 2008 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2008 are as follows:

	2008 mills <u>levied</u>	2007 mills <u>levied</u>
Operating:		
General operating	6.8941	6.8941
Garbage and rubbish	2.0680	2.0680
Library	0.2249	0.2249
Community promotion economic development	<u>0.4878</u>	<u>0.5059</u>
	9.6748 mills	9.6929 mills
Debt services	<u>5.0827</u>	<u>5.0255</u>
Total	<u>14.7575</u> mills	<u>14.7184</u> mills

Fines and forfeitures are expected to continue to increase.

Expenditures:

Costs of the community center will decrease as the new community center is built.

Police cost will increase with the hiring of an additional full-time officer.

Fire protection has been adjusted to reflect cost increases.

Public works cost will decrease as construction projects are completed.

Insurance and benefits will increase with the addition of an employee and continuing rate increases.

Capital outlay will increase with purchase of major equipment, including certain purchases delayed during the current year.

The 2008 General Fund budget expects a small excess of revenues. The projected General Fund's fund balance at June 30, 2008 is approximately \$624,600 which represents approximated 46% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the Clerk's Office, at the City of Sylvan Lake, 1820 Inverness Avenue, Sylvan Lake, Michigan 48320.

## CITY OF SYLVAN LAKE, MICHIGAN

## STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities	Business-type Activity	Total
<b>ASSETS</b>			
Cash and investments . . . . .	\$ 1,988,178	\$ 1,320,741	\$ 3,308,919
Receivables:			
Taxes . . . . .	11,577		11,577
Customers . . . . .		164,112	164,112
Interest . . . . .	10,421	8,257	18,678
Other . . . . .	15,659		15,659
Due from other governments . . . . .	44,314		44,314
Prepaid and other assets . . . . .	14,220		14,220
Deferred charges . . . . .	5,000		5,000
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents . . . . .	15,742		15,742
Receivable - Agency Funds . . . . .	42,382		42,382
Capital assets, net:			
Depreciable . . . . .	3,830,043	2,478,883	6,308,926
Nondepreciable . . . . .	316,716		316,716
Construction in process . . . . .	40,552		40,552
Total assets . . . . .	<u>\$ 6,334,804</u>	<u>\$ 3,971,993</u>	<u>\$ 10,306,797</u>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts payable . . . . .	\$ 143,321	\$ 77,655	\$ 220,976
Accrued wages . . . . .	11,889	618	12,507
Accrued interest . . . . .	39,639	21,935	61,574
Internal balances . . . . .	(7,670)	7,670	
Due to other governments . . . . .	135		135
Compensated absences . . . . .	37,160		37,160
Noncurrent liabilities:			
Due within one year . . . . .	180,000	85,000	265,000
Due in more than one year . . . . .	4,345,000	1,820,000	6,165,000
Total liabilities . . . . .	\$ 4,749,474	\$ 2,012,878	\$ 6,762,352
Net assets:			
Invested in capital assets, net of related debt . . . . .	246,369	573,883	820,252
Restricted for:			
Major and Local Roads . . . . .	374,893		374,893
Garbage and Rubbish . . . . .	239,065		239,065
Community Promotion/Economic Development . . . . .	14,545		14,545
Building Department . . . . .	5,003		5,003
Library . . . . .	613		613
Lake Level/Drains . . . . .	15,254		15,254
Capital Projects . . . . .	91,126		91,126
Other . . . . .	58,124		58,124
Unrestricted . . . . .	540,338	1,385,232	1,925,570
Total net assets . . . . .	<u>\$ 1,585,330</u>	<u>\$ 1,959,115</u>	<u>\$ 3,544,445</u>
Total liabilities and net assets . . . . .	<u>\$ 6,334,804</u>	<u>\$ 3,971,993</u>	<u>\$ 10,306,797</u>

The attached notes are an integral part of the financial statements.

## CITY OF SYLVAN LAKE, MICHIGAN

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government . . . . .	\$ 347,894	\$ 158,121	\$	\$
Public safety . . . . .	777,297	208,259	1,388	
Public works . . . . .	575,572		111,504	
Community and economic development . . . . .	77,004		624	
Recreation and culture . . . . .	110,589	75,515		14,336
Interest on long term debt . . . . .	157,324			
Total governmental activities . . . . .	\$ 2,045,680	\$ 441,895	\$ 113,516	\$ 14,336
Business-type activity:				
Sewer . . . . .	\$ 485,495	\$ 414,932	\$	\$
Water . . . . .	344,347	266,807		
Recreational vehicle storage . . . . .	21,684	15,750		
Total business-type activities . . . . .	\$ 851,526	\$ 697,489	\$	\$
Total primary government . . . . .	\$ 2,897,206	\$ 1,139,384	\$ 113,516	\$ 14,336

## General revenues:

Property taxes . . . . .	
State shared revenues . . . . .	
Interest income . . . . .	
Franchise fees . . . . .	
Miscellaneous . . . . .	
Special item - sale of fixed assets . . . . .	

Total general revenues . . . . .

Changes in net assets . . . . .

Net assets - July 1, 2006 . . . . .

Net assets - June 30, 2007 . . . . .

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (189,773)	\$	\$ (189,773)
(567,650)		(567,650)
(464,068)		(464,068)
(76,380)		(76,380)
(20,738)		(20,738)
(157,324)		(157,324)
<u>\$ (1,475,933)</u>	<u>\$</u>	<u>\$ (1,475,933)</u>
\$	\$ (70,563)	\$ (70,563)
	(77,540)	(77,540)
	(5,934)	(5,934)
<u>\$</u>	<u>\$ (154,037)</u>	<u>\$ (154,037)</u>
\$ (1,475,933)	\$ (154,037)	\$ (1,629,970)
1,339,082	173,657	1,512,739
146,073		146,073
83,087	68,355	151,442
25,522		25,522
7,003		7,003
25,910		25,910
<u>\$ 1,626,677</u>	<u>\$ 242,012</u>	<u>\$ 1,868,689</u>
\$ 150,744	\$ 87,975	\$ 238,719
<u>1,434,586</u>	<u>1,871,140</u>	<u>3,305,726</u>
<u>\$ 1,585,330</u>	<u>\$ 1,959,115</u>	<u>\$ 3,544,445</u>

The attached notes are an integral part of the financial statements.

## CITY OF SYLVAN LAKE, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2007

	General	Major Road Fund	Local Road Fund	Garbage and Rubbish Collection Fund	Street and Drainage Debt Fund
<b>ASSETS</b>					
Cash and investments. . . . .	\$ 542,076	\$ 199,836	\$ 152,051	\$ 232,727	\$ 8,480
Receivables:					
Taxes . . . . .	11,577				
Interest . . . . .	2,295	2,343	1,595	2,573	
Other . . . . .	6,753				
Due from other funds. . . . .	25,667	3,612	2,015	3,989	
Due from other governments. . . . .	26,981	12,149	5,184		
Prepaid and other assets. . . . .	14,220				
Cash - restricted . . . . .	15,742				
Due from other funds - restricted . . . . .	42,382				
<b>Total assets. . . . .</b>	<b>\$ 687,693</b>	<b>\$ 217,940</b>	<b>\$ 160,845</b>	<b>\$ 239,289</b>	<b>\$ 8,480</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts payable. . . . .	\$ 39,037	\$ 1,384	\$ 533	\$ 61	\$
Accrued salaries and wages. . . . .	9,270	268	214	163	
Due to other funds. . . . .	8,125		1,493		
Due to other governments. . . . .					
<b>Total liabilities . . . . .</b>	<b>\$ 56,432</b>	<b>\$ 1,652</b>	<b>\$ 2,240</b>	<b>\$ 224</b>	<b>\$</b>
Fund balance:					
Reserved:					
Prepaid expenses. . . . .	14,220				
Other . . . . .	58,124				
Unreserved, reported in:					
General Fund. . . . .	558,917				
Special Revenue Funds . . . . .		216,288	158,605	239,065	
Debt Service. . . . .					8,480
Capital Project Funds . . . . .					
<b>Total fund balance. . . . .</b>	<b>\$ 631,261</b>	<b>\$ 216,288</b>	<b>\$ 158,605</b>	<b>\$ 239,065</b>	<b>\$ 8,480</b>
<b>Total liabilities and fund balance. . . . .</b>	<b>\$ 687,693</b>	<b>\$ 217,940</b>	<b>\$ 160,845</b>	<b>\$ 239,289</b>	<b>\$ 8,480</b>

Community Center Capital Project Fund	Non-Major Governmental Funds	Governmental Funds
\$ 475,141	\$ 358,836	\$ 1,969,147
		11,577
1,022	435	10,263
	8,906	15,659
		35,283
		44,314
		14,220
		15,742
		42,382
<u>\$ 476,163</u>	<u>\$ 368,177</u>	<u>\$ 2,158,587</u>
\$ 13,080	\$ 88,828	\$ 142,923
	1,974	11,889
7,442	9,004	26,064
	135	135
<u>\$ 20,522</u>	<u>\$ 99,941</u>	<u>\$ 181,011</u>
		14,220
		58,124
		558,917
	35,415	649,373
	13,277	21,757
455,641	219,544	675,185
<u>\$ 455,641</u>	<u>\$ 268,236</u>	<u>\$ 1,977,576</u>
<u>\$ 476,163</u>	<u>\$ 368,177</u>	<u>\$ 2,158,587</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2007

Total governmental fund balances. . . . .		\$ 1,977,576
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and are not reported in the governmental funds:		
Governmental capital assets . . . . .	\$ 5,160,994	
Less accumulated depreciation . . . . .	(978,713)	4,182,281
Long-term liabilities, including compensated absences, are not due and payable in the current period and are not reported in the funds including related accrued interest. . . . .		(4,596,799)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in the statement of net assets . . . . .		22,272
Net assets of governmental activities . . . . .		\$ 1,585,330

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

## CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

	General	Major Road Fund	Local Road Fund	Garbage and Rubbish Collection Fund	Street and Drainage Debt Fund
Revenues:					
Taxes . . . . .	\$ 741,779	\$	\$	\$ 203,781	\$ 277,176
Licenses and permits . . . . .	6,055				
Federal sources . . . . .	624				
State sources . . . . .	151,069	73,993	31,570	907	
Charges for services . . . . .	244,229		1,094		
Fines and forfeitures . . . . .	51,618				
Interest earnings . . . . .	14,606	15,220	10,722	17,899	2,001
Other . . . . .	97,502				
Total revenues . . . . .	\$ 1,307,482	\$ 89,213	\$ 43,386	\$ 222,587	\$ 279,177
Expenditures:					
Current:					
General government . . . . .	196,819				100
Public safety . . . . .	570,844				
Public works . . . . .	89,149	47,005	39,721	145,894	
Community and economic development . . . . .	20,041				
Recreation and culture . . . . .	69,989				
Other . . . . .	259,373				
Capital outlay . . . . .	22,248	20,932	50,024		
Debt service:					
Principal payments . . . . .					130,000
Interest and fiscal charges . . . . .					148,885
Total expenditures . . . . .	\$ 1,228,463	\$ 67,937	\$ 89,745	\$ 145,894	\$ 278,985
Excess of revenues over (under) expenditures . . . . .	\$ 79,019	\$ 21,276	\$ (46,359)	\$ 76,693	\$ 192
Other financing sources (uses):					
Operating transfers in . . . . .		20,932	68,522		
Operating transfers out . . . . .		(18,498)			
Bonds issued . . . . .					
Discount on bonds . . . . .					
Total other financing sources (uses) . . . . .	\$	\$ 2,434	\$ 68,522	\$	\$
Excess of revenues and other sources over (under) expenditures and other uses . . . . .	\$ 79,019	\$ 23,710	\$ 22,163	\$ 76,693	\$ 192
Fund balance - July 1, 2006 . . . . .	552,242	192,578	136,442	162,372	8,288
Fund balance - June 30, 2007 . . . . .	\$ 631,261	\$ 216,288	\$ 158,605	\$ 239,065	\$ 8,480



Community Center Project Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 116,346	\$ 1,339,082
	44,446	50,501
		624
	99	257,638
	97,020	342,343
		51,618
1,193	19,910	81,551
		97,502
\$ 1,193	\$ 277,821	\$ 2,220,859
	97,120	294,039
	39,854	610,698
	2,180	323,949
	50,909	70,950
	22,256	92,245
		259,373
40,552		133,756
	35,000	165,000
	8,635	157,520
\$ 40,552	\$ 255,954	\$ 2,107,530
\$ (39,359)	\$ 21,867	\$ 113,330
		89,454
	(70,956)	(89,454)
500,000		500,000
(5,000)		(5,000)
\$ 495,000	\$ (70,956)	\$ 495,000
\$ 455,641	\$ (49,089)	\$ 608,329
	317,325	1,369,247
\$ 455,641	\$ 268,236	\$ 1,977,576

The attached notes are an integral part of the financial statements.

## CITY OF SYLVAN LAKE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

Net change in fund balances - total governmental fund . . . . .		\$	608,329
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:			
Expenditures for capital assets . . . . .	\$	133,756	
Current year depreciation . . . . .		(250,940)	(117,184)
Accrued interest is recorded in the statement of activities . . . . .			197
Issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.			
			(330,000)
(Increase) in accumulated employee vacation and sick pay are recorded when earned in the statement of activity . . . . .			293
Internal service fund activity is not reported as part of governmental funds; transactions with organizations outside governmental funds are included in the statement of activities . . . . .			
			(10,891)
Change in net assets of governmental activities . . . . .		\$	150,744

The attached notes are an integral part of the financial statements.

## CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2007

	Business-type Activities				Governmental Activity- Internal Service Fund
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Non-major Enterprise Fund)	Total	
ASSETS					
Cash and investments. . . . .	\$ 628,463	\$ 663,698	\$ 28,580	\$ 1,320,741	\$ 19,031
Receivables:					
Customers . . . . .	104,665	59,447		164,112	
Interest. . . . .	5,590	2,300	367	8,257	158
Building and improvements . . . . .			11,047	11,047	57,042
Accumulated depreciation. . . . .			(11,047)	(11,047)	(52,011)
Machinery and equipment . . . . .	1,730,756	1,548,093		3,278,849	
Accumulated depreciation. . . . .	(351,742)	(448,224)		(799,966)	
Total assets. . . . .	<u>\$ 2,117,732</u>	<u>\$ 1,825,314</u>	<u>\$ 28,947</u>	<u>\$ 3,971,993</u>	<u>\$ 24,220</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable. . . . .	\$ 32,231	\$ 45,397	\$ 27	\$ 77,655	\$ 398
Accrued salaries and wages. . . . .	309	309		618	
Accrued interest. . . . .	12,573	9,362		21,935	
Due to other funds. . . . .	3,282	2,444	1,944	7,670	1,550
Current portion of long-term debt . . . . .	48,722	36,278		85,000	
Total current liabilities . . . . .	\$ 97,117	\$ 93,790	\$ 1,971	\$ 192,878	\$ 1,948
Long-term debt - net of current portion . . . . .	1,043,224	776,776		1,820,000	
Total liabilities . . . . .	\$ 1,140,341	\$ 870,566	\$ 1,971	\$ 2,012,878	\$ 1,948
Net assets:					
Invested in capital assets. . . . .	287,068	286,815		573,883	5,031
Unrestricted. . . . .	690,323	667,933	26,976	1,385,232	17,241
Total net assets. . . . .	<u>\$ 977,391</u>	<u>\$ 954,748</u>	<u>\$ 26,976</u>	<u>\$ 1,959,115</u>	<u>\$ 22,272</u>
Total liabilities and net assets. . . . .	<u>\$ 2,117,732</u>	<u>\$ 1,825,314</u>	<u>\$ 28,947</u>	<u>\$ 3,971,993</u>	<u>\$ 24,220</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2007

	Business-type Activities				Governmental Activity- Internal Service Fund
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Non-major Enterprise Fund)	Combined Total	
Operating revenues:					
Charges for services . . . . .	\$ 401,383	\$ 254,560	\$ 15,750	\$ 671,693	\$ 8,080
Penalties and interest . . . . .	13,549	12,247		25,796	
Total operating revenue . . . . .	\$ 414,932	\$ 266,807	\$ 15,750	\$ 697,489	\$ 8,080
Operating expenses:					
Contractual services . . . . .	306,655	144,924		451,579	
Utilities . . . . .	2,344	527	351	3,222	3,362
Administrative charges . . . . .	15,000	17,250		32,250	
Salaries and benefits . . . . .	41,099	39,062	6,985	87,146	6,517
Repairs and maintenance . . . . .	5,064	35,793	4,348	45,205	8,775
Insurance . . . . .	4,061	4,061		8,122	
Engineering fees . . . . .	3,596	2,693		6,289	
Professional services . . . . .	3,141	12,325		15,466	
Municipal garage rental . . . . .	1,360	1,360		2,720	
Equipment rental . . . . .	2,308	1,752		4,060	
Depreciation . . . . .	48,585	43,617		92,202	1,853
Printing and miscellaneous . . . . .	1,321	3,039	10,000	14,360	
Total operating expenses . . . . .	\$ 434,534	\$ 306,403	\$ 21,684	\$ 762,621	\$ 20,507
Operating income (loss) . . . . .	\$ (19,602)	\$ (39,596)	\$ (5,934)	\$ (65,132)	\$ (12,427)
Nonoperating revenue (expense):					
Interest earnings . . . . .	38,221	27,490	2,644	68,355	1,536
Interest expense . . . . .	(50,803)	(37,827)		(88,630)	
Debt service charges . . . . .	99,540	74,117		173,657	
Other . . . . .	(158)	(117)		(275)	
Total nonoperating revenue . . . . .	\$ 86,800	\$ 63,663	\$ 2,644	\$ 153,107	\$ 1,536
Change in net assets . . . . .	\$ 67,198	\$ 24,067	\$ (3,290)	\$ 87,975	\$ (10,891)
Net assets - July 1, 2006 . . . . .	910,193	930,681	30,266	1,871,140	33,163
Net assets - June 30, 2007 . . . . .	\$ 977,391	\$ 954,748	\$ 26,976	\$ 1,959,115	\$ 22,272

The attached notes are an integral part of the financial statements.

## CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2007

	Business-type Activities				Governmental Activity- Internal Service Fund
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Non-major Enterprise Fund)	Combined Total	
Cash flows from operating activities:					
Receipts from customers . . . . .	\$ 386,359	\$ 260,268	\$ 15,750	\$ 662,377	\$
Receipts from interfund services provided . . .					8,080
Payments to suppliers . . . . .	(321,043)	(187,349)	(4,672)	(513,064)	(11,739)
Payments to employees . . . . .	(38,390)	(35,642)	(5,609)	(79,641)	(6,589)
Payments for internal services used . . . . .	(18,668)	(22,106)	(10,000)	(50,774)	
Net cash provided by (used in) operating activities . . . . .	\$ 8,258	\$ 15,171	\$ (4,531)	\$ 18,898	\$ (10,248)
Cash flows from capital and related financing activities:					
Collection of debt service charges . . . . .	99,540	74,117		173,657	
Purchase of capital assets . . . . .	(47,413)	(35,303)		(82,716)	
Principal and interest paid on capital debt .	(100,036)	(74,486)		(174,522)	
Net cash (used in) capital and related financing activities . . . . .	\$ (47,909)	\$ (35,672)	\$	\$ (83,581)	\$
Cash flows from investing activities:					
Interest income . . . . .	32,632	25,433	2,277	60,342	1,378
Net increase (decrease) in cash . . . . .	\$ (7,019)	\$ 4,932	\$ (2,254)	\$ (4,341)	\$ (8,870)
Cash and cash equivalents - July 1, 2006 . . . .	635,482	658,766	30,834	1,325,082	27,901
Cash and cash equivalents - June 30, 2007 . . . .	\$ 628,463	\$ 663,698	\$ 28,580	\$ 1,320,741	\$ 19,031
Operating activities:					
Operating income (loss) . . . . .	\$ (19,602)	\$ (39,596)	\$ (5,934)	\$ (65,132)	\$ (12,427)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:					
Depreciation . . . . .	48,585	43,617		92,202	1,853
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable . . . . .	(28,572)	(6,538)		(35,109)	
Increase (decrease) in accounts payable . . . . .	9,070	17,560	27	26,657	398
Increase (decrease) in accrued wages . . . . .	(32)	(32)		(64)	
Increase (decrease) in due to other funds . . . . .	(1,191)	159	1,376	344	(72)
Net cash provided by (used in) operating activities . . . . .	\$ 8,258	\$ 15,171	\$ (4,531)	\$ 18,898	\$ (10,248)

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN  
STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2007

	Total Agency Funds
ASSETS	
Cash and investments . . . . .	\$ 115,237
Accounts receivable . . . . .	327
Total assets . . . . .	<u>\$ 115,564</u>
LIABILITIES	
Accounts payable . . . . .	\$ 73,158
Due to other funds . . . . .	42,382
Due to other governments . . . . .	24
Total liabilities . . . . .	<u>\$ 115,564</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of Sylvan Lake conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Sylvan Lake.

Reporting Entity

The City of Sylvan Lake is governed by an elected five-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE A - Summary of Significant Accounting Policies (continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services, such as water and sewer distribution and collection, and recreational vehicle storage in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and the unrestricted resources as they are needed.

Governmental Funds:

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Road Fund

The Major Road Fund is a special revenue fund used to account for the resources obtained through state gas and weight revenues that are restricted for use on major roads.

Local Road Fund

The Local Road Fund is a special revenue fund used to account for the resources obtained through state gas and weight revenues that are restricted for use on local roads.

Garbage and Rubbish Collection Fund

The Garbage and Rubbish Collection Fund is a special revenue fund used to account for the resources obtained through property taxes that are restricted for collection of garbage and rubbish.

Street and Drainage Debt Fund

The Street and Drainage Debt Fund is a debt service fund used to account for accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the construction of City streets and drains.

Community Center Capital Project Fund

The Community Center Capital Project Fund is a capital project fund used to account for financial resources such as proceeds of bond issue and other revenue necessary for the purpose of constructing a new community center.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust funds).



## CITY OF SYLVAN LAKE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE A - Summary of Significant Accounting Policies (continued)Proprietary Fund

The City reports the following major proprietary funds:

Water Revenue Fund

The Water Revenue Fund accounts for the operation, maintenance and distribution of the water system.

Sewer Service Fund

The Sewer Service Fund accounts for the operation, maintenance and collection of the sewer system.

Internal Service Fund

The City's only internal service fund is the Municipal Garage Fund. This fund accounts for the costs of maintaining automotive equipment used by various City departments. Costs are billed to the departments for labor and materials at actual cost with the elimination of the effect of internal service fund activity adjusted to break even.

Fiduciary FundsAgency Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

The City of Sylvan Lake property tax is levied on July 1 on the taxable valuation of property (as defined by State statutes) located in the City of Sylvan Lake as of the preceding December 31st.

The City has a fiscal year beginning July 1 and ending June 30. Properties are assessed as of December 31 and the related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period July 1 through August 31 with the final collection date of February 28. Delinquent real property taxes are purchased by Oakland County from the City, and accordingly are recognized as revenue in the current year.

The 2006 taxable valuation of the City of Sylvan Lake totaled \$98,542,810 and is used for the July 1, 2006 tax bills; this resulted in property tax revenue as follows:

Purpose	Mills Levied	Approximate Revenue
City operating millage	6.8941	\$ 679,000
Fire bond retirement	.4399	43,000
Library operations	.2249	22,000
Sanitation operations	2.0680	204,000
Water/sewer infrastructure bond retirement	1.7623	174,000
Street and drainage bond retirement	2.8128	277,000
Lake level operations	.0105	1,000
Community promotion/economic development	.5059	50,000

Assets, Liabilities, and Net Assets or EquityCash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in short-term investments, generally pooled investment funds. The carrying value of deposits, which includes certificates of deposit, is separately displayed on the balance sheet as "cash and investments".

For purposes of the Statement of Cash Flows, the propriety funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

CITY SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE A - Summary of Significant Accounting Policies (continued)

Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Restricted assets represent unspent operating grants and contributions. Certain donations have been placed in the Escrow Fund until the designated funds are spent.

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, machinery, equipment and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets. Assets are depreciated on an individual basis for equipment and buildings.

Depreciation of all exhaustible fixed assets used by proprietary fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Water System	34-61.2
Buildings and Improvements	25-50
Vehicles	5-10
Furniture and Equipment	5-20
Sewer System	20-50
Roads	20

Compensated Absences (Sick Leave)

Sick pay earned are recognized in the governmental financial statements when they are paid. The long-term portion of compensated absences related to governmental funds is a liability recorded in the Statement of Net Assets.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

## CITY OF SYLVAN LAKE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE A - Summary of Significant Accounting Policies (continued)Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Rounding

For financial statements purposes, amounts are rounded to the nearest dollar. Combining non-rounded amounts may result in minor report differences.

NOTE B - Expenditures Over BudgetBudgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Manager has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The City Manager can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of Sylvan Lake incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Attorney	\$ 40,500	\$ 51,986	\$ 11,486
General	Parks and recreation	61,710	64,536	2,826
General	Insurance and benefits	235,847	259,373	23,526
Major Road	Construction		20,932	20,932*
Local Road	Construction		50,024	50,024*
Community Promotion/ Economic Development	Planning and development	20,000	25,480	5,480
Community Center Capital Project	Fees and construction	26,000	40,552	14,552

\*Construction expenditure budgeted in capital project fund.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer maintains a list of approved banks. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CDs, repurchase agreements, investment pools organized under the local government investment pool act, commercial paper rated within the two highest classifications, and bankers' acceptance of United States banks, but not the remainder of State statutory authority as listed above.

The City's cash deposits are in accordance with statutory authority and the investment policy of the City.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$2,194,675 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities that were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Interlocal agreement fund	\$ 709,860	31 days

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Interlocal agreement fund - MBIA	\$ 709,860		Not rated

## CITY OF SYLVAN LAKE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 316,716	\$	\$	\$ 316,716
Construction in process		40,552		40,552
Total capital assets not being depreciated	\$ 316,716	\$ 40,552	\$	\$ 357,268
Capital Assets Being Depreciated:				
Roads	4,084,365	70,956		4,155,321
Buildings and improvements	357,754			357,754
Vehicles	270,921	22,248	63,549	229,620
Furniture and equipment	139,523		21,450	118,073
Subtotal	\$ 4,852,563	\$ 93,204	\$ 84,999	\$ 4,860,768
Less Accumulated Depreciation for:				
Roads	388,014	204,218		592,232
Buildings and improvements	193,739	11,038		204,777
Vehicles	191,683	29,923	63,549	158,057
Furniture and equipment	89,494	7,614	21,450	75,658
Subtotal	\$ 862,930	\$ 252,793	\$ 84,999	\$ 1,030,724
Net Capital Assets Being Depreciated	\$ 3,989,633	\$ (159,589)	\$	\$ 3,830,044
Net Capital Assets	\$ 4,306,349	\$ (119,037)	\$	\$ 4,187,312
Business-Type Activities:				
Capital Assets Being Depreciated:				
Improvements	\$ 11,047	\$	\$	\$ 11,047
Vehicle	21,753			21,753
Machinery and equipment	341,694	6,354		348,048
Sewer system	1,436,397	43,771		1,480,168
Water system	1,396,288	32,591		1,428,879
Subtotal	\$ 3,207,179	\$ 82,716	\$	\$ 3,289,895
Less Accumulated Depreciation for:				
Improvements	11,047			11,047
Vehicles	7,613	4,351		11,964
Machinery and equipment	90,538	25,737		116,275
Sewer system	227,840	34,063		261,903
Water system	381,772	28,051		409,823
Subtotal	\$ 718,810	\$ 92,202	\$	\$ 811,012
Net Capital Assets Being Depreciated	\$ 2,488,369	\$ (9,486)	\$	\$ 2,478,883
Net Capital Assets	\$ 2,488,369	\$ (9,486)	\$	\$ 2,478,883

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 2,690
Public Safety	18,481
Public Works	218,144
Recreation and Culture	11,625
Other	1,853
Total Governmental Activities	\$252,793
Business-Type Activities:	
Water and Sewer	\$ 92,202

## CITY OF SYLVAN LAKE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE D - Capital Assets (continued)Construction Commitments

The City has an active street and drainage project. At year-end the City's commitment for the contract is as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sewer and drainage	\$ 2,548,327	\$ 179,000

NOTE E - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2007:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total</u>
General Fund	Community Promotion/Economic Development Fund	\$ 1,590
	Street and Drainage Capital Project Fund	7,414
	Community Center Capital Project Fund	7,442
	Sewer Service Fund	3,283
	Water Revenue Fund	2,444
	Recreational Vehicle Storage Fund	1,944
	Municipal Garage	1,550
	Agency Fund	<u>42,382</u>
	Total General Fund	\$68,049
Special Revenue Funds:		
Major Street Fund	General Fund	2,120
	Local Road Fund	<u>1,493</u>
		\$ 3,613
Local Road Fund	General Fund	2,015
Garbage and Rubbish Collection Fund	General Fund	<u>3,989</u>
	Total Special Revenue Funds	\$ 9,617
	Total interfund receivable	<u>\$77,666</u>

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

<u>Transfers In</u>	<u>Transfers (Out)</u>		
	<u>Major Road Fund</u>	<u>Street and Drainage Capital Project Fund</u>	<u>Total</u>
Major Road Fund	\$	20,932	\$20,932
Local Road Fund	<u>18,498</u>	<u>50,024</u>	<u>68,522</u>
	<u>\$ 18,498</u>	<u>\$ 70,956</u>	<u>\$89,454</u>

Transfers of unrestricted revenues collected in the General Fund and Major Road Fund in accordance with budgetary authorizations. Street and Drainage Capital Project Fund transfers funds for construction project in Road Funds.

## CITY OF SYLVAN LAKE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

## NOTE F - Long-Term Debt

The following is a summary of general long-term debt of the City for the year ended June 30, 2007:

	General Obligation Bonds	Compensated Absences	Total
Balance at July 1, 2006	\$4,190,000	\$ 37,453	\$4,227,453
Bonds issued	500,000		500,000
(Decrease) in obligation for compensated absences		(293)	(293)
Principal retirements	(165,000)		(165,000)
Balance at June 30, 2007	<u>\$4,525,000</u>	<u>\$ 37,160</u>	<u>\$4,462,160</u>

The following is a summary of long-term debt transactions of the City's Enterprise Funds for the year ended June 30, 2007:

	General Obligation Bonds
Balance at July 1, 2006	\$1,990,000
Principal retirements	<u>(85,000)</u>
Balance at June 30, 2007	<u>\$1,905,000</u>

General Obligations Bonds:

In May 1995, the City of Sylvan Lake sold general obligation bonds in the amount of \$460,000 for the purposes of funding their portion of the construction of the Tri-City Fire Building. The bonds were issued with varying rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2008	5.40	\$ 40,000	\$ 6,210
2009	5.40	45,000	3,915
2010	5.40	50,000	1,350
		<u>\$ 135,000</u>	<u>\$ 11,475</u>

During August 2001, the City of Sylvan Lake sold general obligation bonds in the amount of \$2,250,000 for the purposes of funding water and sewer infrastructure improvements. The bonds were issued with various rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2008	4.200	\$ 85,000	\$ 85,953
2009	4.300	85,000	82,340
2010	4.375	90,000	78,544
2011	4.400	115,000	74,045
2012	4.500	120,000	68,815
2013	4.500	125,000	63,303
2014	4.500	135,000	57,452
2015	4.600	140,000	51,195
2016	4.750	150,000	44,412
2017	4.750	155,000	37,169
2018	4.750	165,000	29,569
2019	4.750	170,000	21,612
2020	4.750	180,000	13,300
2021	4.750	<u>190,000</u>	<u>4,512</u>
		<u>\$1,905,000</u>	<u>\$ 712,221</u>

## CITY OF SYLVAN LAKE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE F - Long-Term Debt (continued)

During February 2003, the City of Sylvan Lake sold general obligation bonds in the amount of \$4,250,000 for the purposes of funding street and drainage improvements. The bonds were issued with various rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payment is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2008	2.50	\$ 140,000	\$ 145,415
2009	2.80	150,000	141,565
2010	3.20	155,000	136,985
2011	3.30	195,000	131,287
2012	3.45	205,000	124,534
2013	3.45	215,000	117,289
2014	3.55	225,000	109,586
2015	3.65	235,000	101,304
2016	3.80	245,000	92,360
2017	3.90	260,000	82,635
2018	4.00	270,000	72,165
2019	4.05	290,000	60,892
2020	4.10	305,000	48,768
2021	4.20	320,000	35,795
2022	4.25	330,000	22,062
2023	4.30	350,000	7,525
		<u>\$3,890,000</u>	<u>\$1,430,167</u>

During May 2007, the City of Sylvan Lake sold general obligation bonds in the amount of \$500,000 for the purposes of funding the City of Sylvan Lake community center project. The bonds were issued with various rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payment is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2008	3.80	\$	\$ 19,096
2009	3.80	15,000	21,686
2010	3.85	25,000	21,116
2011	3.90	25,000	20,154
2012	3.90	25,000	19,179
2013	4.125	25,000	18,204
2014	4.25	25,000	17,173
2015	4.25	30,000	16,110
2016	4.25	30,000	14,835
2017	4.25	30,000	13,560
2018	4.40	30,000	12,285
2019	4.40	30,000	10,965
2020	4.40	30,000	9,645
2021	4.50	30,000	8,325
2022	4.50	30,000	6,975
2023	4.50	30,000	5,625
2024	4.75	30,000	4,275
2025	4.75	30,000	2,850
2026	4.75	30,000	1,425
		<u>\$ 500,000</u>	<u>\$ 243,483</u>



## CITY OF SYLVAN LAKE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE F - Long-Term Debt (continued)Summary of Long-Term Debt Requirements:

The amounts necessary to amortize the debt described above for years subsequent to June 30, 2007 (excluding compensated absences) are as follows:

Year ending June 30,	General Long-Term Debt		Enterprise Funds	
	Principal	Interest	Principal	Interest
2008	\$ 180,000	\$ 170,721	\$ 85,000	\$ 85,953
2009	210,000	167,166	85,000	82,340
2010	230,000	159,451	90,000	78,544
2011	220,000	151,441	115,000	74,045
2012	230,000	143,713	120,000	68,815
2013-2017	1,320,000	583,056	705,000	253,531
2018-2022	1,665,000	287,877	705,000	68,993
2023-2026	470,000	21,700		
	<u>\$4,525,000</u>	<u>\$1,685,125</u>	<u>\$1,905,000</u>	<u>\$ 712,221</u>

NOTE G - Restricted Assets

The balances of the restricted asset accounts and other reserved fund balance are as follows:

General Fund:	
Police training	\$ 1,380
Park equipment	5,174
Beautification	1,397
Community center	31,537
Memorial park	175
Memorial Day Parade	1,107
Police enforcement	749
Public safety - K9	744
Road right-of-way	15,742
Nature trail	119
	<u>\$58,124</u>

NOTE H - Defined Benefit Plan

The City participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance; disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. All City full-time employees are eligible to participate in the system. Employees and appointed officials who retire after age 60 with 10 years of credited service are entitled to a retirement benefit, payable for life, equal to 2.0% of their 5-year final average compensation (FAC). Vested employees may retire after age 50 and receive reduced retirement benefits. The system also provides disability benefits to a member who becomes totally and permanently disabled while employed by the City and after acquiring 10 or more years of credited service. The service requirement is waived if the disability is from service connected causes. If a member or vested former member with 10 or more years of service dies in a non-duty related death before retirement, a monthly survivor allowance may be payable. The service requirement is waived in a duty related death. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1951 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at: 447 North Canal Street, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining unit and personnel policy, which requires employees to contribute to the plan. Each member contributes the following percentage of his/her annual compensation: General - Non-union - 5 percent; Police - 3 percent of the first \$4,200 and 5 percent of the remaining. The City is required to contribute at an actuarially determined rate; the current rate was 7.47 percent for General - Non-union and 5.53 percent for Police.

## CITY OF SYLVAN LAKE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE H - Defined Benefit Plan (continued)

For the fiscal year ended June 30, 2007, the City's annual pension cost of \$45,997 for the plan was equal to the City's required contribution of \$30,775 and elected contribution of \$15,222 for non-union member contribution. The annual required contribution was determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 29 years for positive unfunded liabilities and 10 years for negative unfunded liabilities. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual pay increases of 4.5 percent plus a percentage based on scale to reflect merit, longevity, and promotional pay increases. The December 31, 2006 actuarial valuation reflects prospective gradual reduction of the amortization period from 29 years in 2005 to 25 years in 2010.

Three Year Trend Information for GASB Statement No. 27

<u>Fiscal Period Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$ 15,965	100%	\$ -0-
June 30, 2006	25,557	100%	-0-
June 30, 2007	30,775	100%	-0-

Required Supplementary Information for GASB Statement No. 27:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Overfunded) Unfunded AAL (UAAL)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
<u>December 31,</u>	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>			
2004	\$ 1,474,210	\$ 1,678,379	\$ 204,169	87.8%	\$427,314	47.8%
2005	1,497,970	1,751,190	253,220	85.5%	451,590	56.1%
2006	1,558,184	1,816,799	258,615	85.8%	450,335	57.4%

NOTE I - Postemployment Benefits

In addition to providing pension benefits, the City has elected to provide postemployment full family health insurance benefits to retirees of the City who retire at age 55 or older with a minimum of 10 years of service. The City pays the full cost of coverage for these benefits from the date of retirement until age 65, or they become eligible for Medicare-Medicaid whichever comes first; at that time, the employer shall provide a plan that supplements Medicare-Medicaid. Retirees age 55 or older with seven to nine years of service are entitled to health insurance for themselves and can purchase coverage for their dependents at the City's group rates. Currently, seven retirees are eligible for postemployment health benefits. During the fiscal year ended June 30, 2007, the City made payments for postemployment health benefit premiums of \$67,385. The City obtains health care coverage through private insurers. The City's cost of retiree health care benefits is recognized as an expense in the year the premium is paid.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

## CITY OF SYLVAN LAKE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE J - Joint Ventures and Related Organization

The City has an agreement with the Tri-City Fire Department for fire protection. The Tri-City Fire Department services the City of Sylvan Lake, the City of Keego Harbor and the City of Orchard Lake Village. The governing body of the Tri-City Fire Department is made up of two members from each city. The fire protection agreement is an annual agreement and can be renewed by the governing bodies of each upon not less than six months notice. Each city is obligated to pay to the Tri-City Fire Department an amount equal to one-third of the total approved annual budget of the Tri-City Fire Department. As of June 30, 2007 the Tri-City Fire Department has a fund surplus. As included in the General Fund budgetary comparison schedule, during the year ended June 30, 2007, \$214,161 was paid for fire protection to the Tri-City Fire Department. Financial statements of the Tri-City Fire Department are available for review at the fire hall.

The City participates in an annual programming grant that Comcast Cable provides. The grant money is paid to West Bloomfield/Tri-Cities Cable Joint Venture Fund, which is under the joint ownership of four communities - the Cities of Orchard Lake Village, Keego Harbor, Sylvan Lake and the Township of West Bloomfield. The money in this fund must be used for the support of community cable programming. The fund is administered by the West Bloomfield Township accounting department. No part of this money is reflected in these financial statements.

Pursuant to agreements with the City of Pontiac and West Bloomfield Township, the City is provided with sewer service. The agreements call for the City to lease sewer capacity from the two municipalities. Funds for operation of the system are provided by initial tap-in fees and sewer disposal service charges to customers.

NOTE K - Waste Collection and Disposal

The City has a waste collection and disposal contract from August 1, 2006 through July 31, 2009. Monthly charges are based on residences serviced, 854 residences at the beginning of the contract. The monthly charge per residence is \$11.85 during the first year, \$12.45 and \$13.10 for the second and third year, respectively.

NOTE L - Library Services

The City has a contract with West Bloomfield Township Public Library to provide library services to residents of the City. Property owners of the City are assessed .3 mill for library services and the City is required to pay this amount (.3 mill) to West Bloomfield Township Public Library. The contract covers the period December 1 through November 30th of each year and is renewed automatically unless cancelled by six months written notice prior to the end of the current year period.

NOTE M - Trust and Agency Fund

The Trust and Agency Fund cash balance is composed of the following accounts at June 30, 2007:

Performance bonds	\$ 82,556
General Fund - restricted funds	32,389
Miscellaneous	<u>268</u>
Total cash	<u>\$115,213</u>

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE N - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for storage tank and health care. The City participates in the Michigan Municipal Risk Management Authority for general, auto, professional, public official, employee dishonesty and errors and omissions liabilities. The City also participates in the Michigan Municipal Workers Compensation Fund for workers compensation. The City is uninsured for acts of god and environmental cleanup losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims-servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that will be used to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The Michigan Municipal League Worker's Compensation Fund risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE O - Litigation and Contingent Liabilities

The City receives property taxes levied against real and personal property located in the City pursuant to the General Property Tax Laws of the State of Michigan. A number of entities owning property within the City have appealed their assessments to the Michigan Tax Tribunal. A reduction by the Tax Tribunal of any such assessments would result in a liability to the City to refund some taxes which have been collected. Management believes this liability could be approximately \$5,500, which has not been recorded in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Tax collections:				
Current taxes. . . . .	\$ 680,961	\$ 680,961	\$ 678,844	\$ (2,117)
Administration fee . . . . .	32,500	32,500	36,850	4,350
Interest and penalties . . . . .	16,000	16,000	26,085	10,085
	<u>\$ 729,461</u>	<u>\$ 729,461</u>	<u>\$ 741,779</u>	<u>\$ 12,318</u>
Licenses and permits . . . . .	3,570	3,570	6,055	2,485
Federal sources - Community development block grant. . .	5,000	5,000	624	(4,376)
State sources:				
Sales tax. . . . .	148,480	148,480	143,503	(4,977)
Liquor licenses. . . . .	1,800	1,800	1,564	(236)
Law enforcement. . . . .	600	600	1,155	555
Road right of way. . . . .	5,200	5,200	4,847	(353)
	<u>\$ 156,080</u>	<u>\$ 156,080</u>	<u>\$ 151,069</u>	<u>\$ (5,011)</u>
Charges for services:				
Charges for services - sales . . . . .	400	400	1,254	854
Charges for services - fees. . . . .	89,450	89,450	84,223	(5,227)
Charges for services - other funds:				
Major Road Fund. . . . .	8,100	8,100	7,527	(573)
Local Road Fund. . . . .	6,500	6,500	6,310	(190)
Garbage and Rubbish Collection Fund. . . . .	13,000	13,000	3,784	(9,216)
Street and Drainage Capital Project Fund . . . . .	56,016	56,016	47,635	(8,381)
Water/Sewer Infrastructure Capital Project Fund. . .	55,522	55,522		(55,522)
Recreational Vehicle Storage Fund. . . . .	10,000	10,000	10,000	
Sewer Service Fund . . . . .	17,500	17,500	44,355	26,855
Water Revenue Fund . . . . .	21,500	21,500	39,141	17,641
	<u>\$ 277,988</u>	<u>\$ 277,988</u>	<u>\$ 244,229</u>	<u>\$ (33,759)</u>
Fines and forfeitures. . . . .	15,000	15,000	51,618	36,618
Interest earnings. . . . .	12,000	12,000	14,606	2,606
Other revenue:				
Cable TV . . . . .	21,000	21,000	25,522	4,522
Leases . . . . .	22,064	22,064	22,437	373
Contributions. . . . .	22,000	22,000	14,569	(7,431)
Miscellaneous. . . . .	12,500	12,500	34,974	22,474
	<u>\$ 77,564</u>	<u>\$ 77,564</u>	<u>\$ 97,502</u>	<u>\$ 19,938</u>
Total revenues . . . . .	\$ 1,276,663	\$ 1,276,663	\$ 1,307,482	\$ 30,819

## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (Continued)

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
General Government:				
Legislative:				
City council:				
Salaries . . . . .			\$ 362	
Membership and dues. . . . .			2,036	
Miscellaneous. . . . .			840	
	\$ 3,500	\$ 3,500	\$ 3,238	\$ 262
City Manager:				
Salary . . . . .			10,929	
Conferences and workshops. . . . .			188	
Membership and dues. . . . .			335	
	11,763	11,763	\$ 11,452	311
Elections:				
Salaries . . . . .			4,440	
Office supplies. . . . .			557	
Equipment. . . . .			96	
Printing and publishing. . . . .			481	
Miscellaneous. . . . .			291	
	7,230	7,230	\$ 5,865	1,365
Assessor - contracted services . . . . .	17,241	17,241	15,591	1,650
Attorney . . . . .	20,500	40,500	51,986	(11,486)
Audit expense. . . . .	3,960	4,540	4,540	
Board of Review:				
Salaries . . . . .			300	
Miscellaneous. . . . .			25	
	550	550	\$ 325	225
Clerk-Treasurer:				
Salary . . . . .			34,445	
Conferences and workshops. . . . .			711	
Membership and dues. . . . .			245	
	40,070	37,070	\$ 35,401	1,669
City Hall and grounds:				
Salary . . . . .			16,233	
Office supplies and postage . . . . .			5,903	
Tax roll and statement preparation . . . . .			1,669	
Printing and publishing. . . . .			3,593	
Codification, surveys, reports . . . . .			4,662	
Maintenance. . . . .			8,150	
Telephone. . . . .			3,912	
Utilities. . . . .			4,710	
Repairs. . . . .			2,716	
Miscellaneous. . . . .			1,234	
	69,468	74,132	\$ 52,782	21,350

## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (Continued)

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Other general services administration activities:				
Office expense:				
Supplies . . . . .			1,236	
Equipment repairs and rental . . . . .			11,254	
Contractual services . . . . .			2,874	
Repairs. . . . .			275	
	12,100	17,100	\$ 15,639	1,461
Total general government . . . . .	\$ 186,382	\$ 213,626	\$ 196,819	\$ 16,807
Public safety:				
Police department:				
Salaries:				
Chief of Police. . . . .			61,568	
Employees. . . . .			136,488	
Temporary and overtime help. . . . .			57,269	
Gas and Oil. . . . .			12,765	
Uniforms . . . . .			4,333	
Municipal garage rental. . . . .			2,000	
Training . . . . .			1,438	
Radio maintenance and dispatch . . . . .			41,926	
Vehicle maintenance. . . . .			5,531	
Conferences, workshops and memberships . . . . .			170	
Miscellaneous supplies . . . . .			12,414	
Contractual services . . . . .			5,617	
	377,784	377,784	\$ 341,519	36,265
Fire protection:				
Contractual services . . . . .			214,161	
Dispatch agreement . . . . .			13,690	
	226,161	227,861	\$ 227,851	10
Animal shelter . . . . .	1,000	1,000	1,474	(474)
Total public safety. . . . .	\$ 604,945	\$ 606,645	\$ 570,844	\$ 35,801
Public works:				
Salaries . . . . .			60,207	
Gas and oil. . . . .			4,484	
Repair and maintenance supplies. . . . .			1,548	
Vehicle maintenance. . . . .			2,517	
Radio maintenance. . . . .			726	
Municipal garage rental. . . . .			2,000	
Miscellaneous. . . . .			446	
	96,592	96,592	\$ 71,928	24,664
Street lighting. . . . .	18,000	18,000	17,221	779
Total public works . . . . .	\$ 114,592	\$ 114,592	\$ 89,149	\$ 25,443

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## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (Continued)

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Community and economic development:				
Planning commission:				
Secretary . . . . .			285	
Contractual services . . . . .			18,052	
Membership and dues . . . . .			250	
Printing and publishing . . . . .			195	
ZBA publications . . . . .			250	
Miscellaneous . . . . .			385	
	6,350	21,350	\$ 19,417	1,933
CDBG Expenditures . . . . .	5,000	5,000	624	4,376
Total community and economic development . . . . .	\$ 11,350	\$ 26,350	\$ 20,041	\$ 6,309
Recreation and culture:				
Parks and recreation:				
Salaries . . . . .			13,174	
Operating supplies and maintenance . . . . .			20,492	
Taxes . . . . .			7,958	
Contractual services . . . . .			5,463	
Utilities . . . . .			2,110	
Summer program . . . . .			1,350	
Lake control . . . . .			7,650	
Rails-to-trails maintenance . . . . .			5,162	
Miscellaneous . . . . .			1,177	
	99,210	61,710	\$ 64,536	(2,826)
Community Center:				
Salaries . . . . .			1,145	
Maintenance and repair . . . . .				
Utilities . . . . .			1,062	
Miscellaneous . . . . .			3,246	
	23,162	17,582	\$ 5,453	12,129
Total recreation and culture . . . . .	\$ 122,372	\$ 79,292	\$ 69,989	\$ 9,303
Insurance and benefits:				
Insurance - General liability . . . . .			16,555	
Employee benefits:				
Retirement contribution (Note H) . . . . .			45,997	
Hospitalization . . . . .			99,536	
Life insurance . . . . .			4,466	
Other benefits . . . . .			11,879	
Current employee benefits . . . . .			\$ 161,878	
Retirees' benefits . . . . .			67,385	
Workmen's compensation . . . . .			7,075	
Unemployment . . . . .			6,480	
			\$ 242,818	
Total insurance and benefits . . . . .	219,847	235,847	\$ 259,373	(23,526)

## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (Continued)

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Capital outlay - equipment . . . . .	17,000	62,500	22,248	40,252
Total expenditures . . . . .	\$ 1,276,488	\$ 1,338,852	\$ 1,228,463	\$ 110,389
Excess of revenues over (under) expenditures .	\$ 175	\$ (62,189)	\$ 79,019	\$ 141,208
Fund balance - July 1, 2006. . . . .	552,242	552,242	552,242	
Fund balance - June 30, 2007 . . . . .	\$ 552,417	\$ 490,053	\$ 631,261	\$ 141,208

## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
MAJOR ROAD FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State-shared revenues . . . . .	\$ 79,964	\$ 79,964	\$ 73,993	\$ (5,971)
Interest earnings . . . . .	8,000	8,000	15,220	7,220
Total revenues . . . . .	\$ 87,964	\$ 87,964	\$ 89,213	\$ 1,249
Expenditures:				
Operating expenses:				
Salaries . . . . .	18,563	18,563	13,758	4,805
Overtime . . . . .	540	540	932	(392)
Benefits . . . . .	7,765	7,640	5,764	1,876
Workers compensation . . . . .		880	880	
Liability insurance . . . . .		2,720	2,652	68
Conferences and workshops . . . . .	500	500	250	250
	\$ 27,368	\$ 30,843	\$ 24,236	\$ 6,607
Maintenance:				
Supplies . . . . .	1,000	1,000	1,058	(58)
Engineering fees . . . . .		1,000	1,000	
Contractual services . . . . .	2,500	6,000	7,230	(1,230)
Rental . . . . .	4,000	4,000	3,850	150
	\$ 7,500	\$ 12,000	\$ 13,138	\$ (1,138)
Traffic service maintenance:				
Supplies . . . . .	500	500	1,812	(1,312)
Contractual services . . . . .	3,500	3,500	1,921	1,579
Rental . . . . .	100	100		100
	\$ 4,100	\$ 4,100	\$ 3,733	\$ 367
Winter maintenance:				
Supplies . . . . .	4,000	4,000	1,199	2,801
Rental . . . . .	4,000	4,000	3,677	323
	\$ 8,000	\$ 8,000	\$ 4,876	\$ 3,124
Administration:				
Equipment . . . . .	500	500		500
Audit . . . . .	885	885	1,022	(137)
	\$ 1,385	\$ 1,385	\$ 1,022	\$ 363
Construction . . . . .			20,932	(20,932)
Total expenditures . . . . .	\$ 48,353	\$ 56,328	\$ 67,937	\$ (11,609)
Excess of revenues over (under) expenditures . . . . .	\$ 39,611	\$ 31,636	\$ 21,276	\$ (10,360)

## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
MAJOR ROAD FUND (Continued)

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Other financing sources (uses):				
Transfer from Capital Project Fund. . . . .			20,932	20,932
Transfer to Local Road Fund . . . . .	(19,991)	(19,991)	(18,498)	1,493
Total other sources (uses). . . . .	<u>\$ (19,991)</u>	<u>\$ (19,991)</u>	<u>\$ 2,434</u>	<u>\$ 22,425</u>
Excess of revenues and other sources over expenditures and other uses . . . . .	\$ 19,620	\$ 11,645	\$ 23,710	\$ 12,065
Fund balance - July 1, 2006 . . . . .	192,578	192,578	192,578	
Fund balance - June 30, 2007. . . . .	<u>\$ 212,198</u>	<u>\$ 204,223</u>	<u>\$ 216,288</u>	<u>\$ 12,065</u>

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## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
LOCAL ROAD FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State-shared revenues . . . . .	\$ 34,086	\$ 34,086	\$ 31,570	\$ (2,516)
County maintenance agreement . . . . .	1,075	1,075	1,094	19
Interest earnings . . . . .	5,300	5,300	10,722	5,422
Total revenues . . . . .	\$ 40,461	\$ 40,461	\$ 43,386	\$ 2,925
Expenditures:				
Operating expenses:				
Salaries . . . . .	18,563	18,563	14,035	4,528
Overtime . . . . .	750	750	971	(221)
Benefits . . . . .	7,765	8,540	5,882	2,658
Workers compensation . . . . .		880	880	
Liability insurance . . . . .		2,720	2,661	59
Conferences and workshops . . . . .	500	500	250	250
	\$ 27,578	\$ 31,953	\$ 24,679	\$ 7,274
Maintenance:				
Supplies . . . . .	788	788	1,799	(1,011)
Contractual services . . . . .	2,000	4,500	3,867	633
Rental . . . . .	3,000	3,000	2,983	17
	\$ 5,788	\$ 8,288	\$ 8,649	\$ (361)
Traffic service maintenance:				
Supplies . . . . .	400	400	400	
Contractual services . . . . .	200	200	200	
	\$ 600	\$ 600	\$ 600	\$
Winter maintenance:				
Supplies . . . . .	2,500	2,500	1,444	1,056
Rental . . . . .	3,500	3,500	3,327	173
	\$ 6,000	\$ 6,000	\$ 4,771	\$ 1,229
Administration:				
Equipment . . . . .	600	600		600
Audit . . . . .	885	885	1,022	(137)
	\$ 1,485	\$ 1,485	\$ 1,022	\$ 463
Construction . . . . .			50,024	(50,024)
Total expenditures . . . . .	\$ 41,451	\$ 48,326	\$ 89,745	\$ (41,419)
Excess of revenues over (under) expenditures . . . . .	\$ (990)	\$ (7,865)	\$ (46,359)	\$ (38,494)
Other financing sources:				
Transfer from Capital Project Fund . . . . .			50,024	50,024
Transfer from Major Road Fund . . . . .	19,991	19,991	18,498	(1,493)
Total other financing sources . . . . .	\$ 19,991	\$ 19,991	\$ 68,522	\$ 48,531
Excess of revenues and other sources over expenditures . . . . .	\$ 19,001	\$ 12,126	\$ 22,163	\$ 10,037

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
LOCAL ROAD FUND (Continued)

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Fund balance - July 1, 2006 . . . . .	136,442	136,442	136,442	
Fund balance - June 30, 2007. . . . .	\$ 155,443	\$ 148,568	\$ 158,605	\$ 10,037

## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
GARBAGE AND RUBBISH FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes . . . . .	\$ 204,176	\$ 204,176	\$ 203,781	\$ (395)
State sources . . . . .			907	907
Interest earnings . . . . .	11,300	11,300	17,899	6,599
Total revenues . . . . .	\$ 215,476	\$ 215,476	\$ 222,587	\$ 7,111
Expenditures:				
Current:				
Salaries and benefits . . . . .	14,057	17,007	10,571	6,436
Contractual services . . . . .	142,005	142,005	122,276	19,729
Audit expense . . . . .	1,100	1,100	1,105	(5)
Municipal garage rental . . . . .	1,360	1,360	1,360	
Equipment rental . . . . .	3,000	3,000	3,119	(119)
Repairs and maintenance . . . . .	1,700	1,700	1,479	221
Leaf disposal program . . . . .	52,000	52,000	4,128	47,872
Miscellaneous . . . . .	700	700	1,856	(1,156)
Total expenditures . . . . .	\$ 215,922	\$ 218,872	\$ 145,894	\$ 72,978
Excess of revenues over (under) expenditures . . . . .	\$ (446)	\$ (3,396)	\$ 76,693	\$ 80,089
Fund balance - July 1, 2006 . . . . .	162,372	162,372	162,372	
Fund balance - June 30, 2007 . . . . .	\$ 161,926	\$ 158,976	\$ 239,065	\$ 80,089

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CITY OF SYLVAN LAKE, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
STREET AND DRAINAGE DEBT SERVICE FUND  
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes . . . . .	\$ 277,710	\$ 277,710	\$ 277,176	\$ (534)
Interest earnings . . . . .	1,400	1,400	2,001	601
Total revenues . . . . .	\$ 279,110	\$ 279,110	\$ 279,177	\$ 67
Expenditures:				
Audit fees . . . . .	100	100	100	
Debt Service:				
Principal . . . . .	130,000	130,000	130,000	
Interest . . . . .	148,660	148,660	148,660	
Paying agent fees . . . . .	350	350	225	125
Total expenditures . . . . .	\$ 279,110	\$ 279,110	\$ 278,985	\$ 125
Excess of revenues over (under) expenditures . . . . .	\$	\$	\$ 192	\$ 192
Fund balance - July 1, 2006 . . . . .	8,288	8,288	8,288	
Fund balance - June 30, 2007 . . . . .	\$ 8,288	\$ 8,288	\$ 8,480	\$ 192

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS



OTHER SUPPLEMENTAL INFORMATION

CITY OF SYLVAN LAKE, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
COMMUNITY CENTER CAPITAL PROJECT FUND  
For the Year Ended June 30, 2007

	Original Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:			
Interest earnings . . . . .	\$ 3,000	\$ 1,193	\$ (1,807)
Expenditures:			
Attorney fees . . . . .		7,442	(7,442)
Contractual services . . . . .	1,000	6,024	(5,024)
Architect fee . . . . .	25,000	26,886	(1,886)
Construction . . . . .		200	(200)
Total expenditures . . . . .	\$ 26,000	\$ 40,552	\$ (14,552)
Excess of revenues over (under) expenditures . .	\$ (23,000)	\$ (39,359)	\$ (16,359)
Other financing sources (uses):			
Bonds issued . . . . .	495,000	500,000	5,000
Discount on bonds . . . . .		(5,000)	(5,000)
Total other financing sources (uses) . . . . .	\$ 495,000	\$ 495,000	\$
Excess of revenues and other sources over (under) expenditures and other uses . .	\$ 472,000	\$ 455,641	\$ (16,359)
Fund balance - July 1, 2006 . . . . .			
Fund balance - June 30, 2007 . . . . .	\$ 472,000	\$ 455,641	\$ (16,359)

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

## CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments. . . . .	\$ 39,205	\$ 13,277	\$ 306,354	\$ 358,836
Accounts receivable . . . . .			8,906	8,906
Interest receivable . . . . .	435			435
Total assets. . . . .	<u>\$ 39,640</u>	<u>\$ 13,277</u>	<u>\$ 315,260</u>	<u>\$ 368,177</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable. . . . .	\$ 526	\$	\$ 88,302	\$ 88,828
Accrued wages payable . . . . .	1,974			1,974
Due to other funds. . . . .	1,590		7,414	9,004
Due to other governments. . . . .	135			135
Total liabilities . . . . .	\$ 4,225	\$	\$ 95,716	\$ 99,941
Fund balance:				
Unreserved. . . . .	35,415	13,277	219,544	268,236
Total liabilities and fund balances . . . . .	<u>\$ 39,640</u>	<u>\$ 13,277</u>	<u>\$ 315,260</u>	<u>\$ 368,177</u>

## CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS

June 30, 2007

	Community Promotion/ Economic Development Fund	Building Department Fund	Library Fund	Lake Level/ Drains Fund	Combined Total
<b>ASSETS</b>					
Cash and investments. . . . .	\$ 16,597	\$ 6,779	\$ 740	\$ 15,089	\$ 39,205
Interest receivable . . . . .	188	74	8	165	435
Total assets. . . . .	<u>\$ 16,785</u>	<u>\$ 6,853</u>	<u>\$ 748</u>	<u>\$ 15,254</u>	<u>\$ 39,640</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts payable. . . . .	\$ 526	\$	\$	\$	\$ 526
Accrued wages payable . . . . .	124	1,850			1,974
Due to other funds. . . . .	1,590				1,590
Due to other governments. . . . .			135		135
Total liabilities . . . . .	\$ 2,240	\$ 1,850	\$ 135	\$	\$ 4,225
Fund balance. . . . .	14,545	5,003	613	15,254	35,415
Total liabilities and fund balance. . . . .	<u>\$ 16,785</u>	<u>\$ 6,853</u>	<u>\$ 748</u>	<u>\$ 15,254</u>	<u>\$ 39,640</u>

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CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE FUNDS

June 30, 2007

	Fire Stations Bond Fund	Combined Totals
ASSETS		
Cash and investments. . . . .	\$ 13,277	\$ 13,277
LIABILITIES AND FUND BALANCE		
Fund balance. . . . .	\$ 13,277	\$ 13,277

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## CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECT FUNDS

June 30, 2007

	Street and Drainage Capital Project Fund	Water Improvement Construction Fund	Combined Total
ASSETS			
Cash and investments. . . . .	\$ 215,227	\$ 91,127	\$ 306,354
Accounts receivable . . . . .	8,906		8,906
Total assets. . . . .	<u>\$ 224,133</u>	<u>\$ 91,127</u>	<u>\$ 315,260</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable. . . . .	\$ 88,302	\$	\$ 88,302
Due to other funds. . . . .	7,414		7,414
Total liabilities . . . . .	\$ 95,716	\$	\$ 95,716
Fund balance. . . . .	128,417	91,127	219,544
Total liabilities and fund balance. . . . .	<u>\$ 224,133</u>	<u>\$ 91,127</u>	<u>\$ 315,260</u>

## CITY OF SYLVAN LAKE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
Revenues:				
Taxes . . . . .	\$ 73,002	\$ 43,344	\$	\$ 116,346
Licenses and permits . . . . .	44,446			44,446
State source . . . . .	99			99
Charge for services . . . . .			97,020	97,020
Interest earnings . . . . .	3,739	687	15,484	19,910
Total revenues . . . . .	\$ 121,286	\$ 44,031	\$ 112,504	\$ 277,821
Expenditures:				
Current:				
General government . . . . .		100	97,020	97,120
Public safety - Building inspection . . . . .	39,854			39,854
Public works - Drains . . . . .	2,180			2,180
Community and economic development . . . . .	50,909			50,909
Recreation and culture . . . . .	22,256			22,256
Debt service:				
Principal . . . . .		35,000		35,000
Interest and finance charges . . . . .		8,635		8,635
Total expenditures . . . . .	\$ 115,199	\$ 43,735	\$ 97,020	\$ 255,954
Excess of revenues over (under) expenditures . . . . .	\$ 6,087	\$ 296	\$ 15,484	\$ 21,867
Other financing uses:				
Operating transfers out . . . . .			70,956	70,956
Excess of revenues over (under) expenditures and other uses . . . . .	\$ 6,087	\$ 296	\$ (55,472)	\$ (49,089)
Fund balance - July 1, 2006 . . . . .	29,328	12,981	275,016	317,325
Fund balance - June 30, 2007 . . . . .	\$ 35,415	\$ 13,277	\$ 219,544	\$ 268,236

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## CITY OF SYLVAN LAKE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2007

	Community Promotion/ Economic Development Fund	Building Department Fund	Library Fund	Lake Level/ Drains Fund	Total
Revenues:					
Taxes . . . . .	\$ 49,848	\$	\$ 22,157	\$ 997	\$ 73,002
Licenses and permits. . . . .		44,446			44,446
State source. . . . .			99		99
Interest earnings . . . . .	2,195	338	91	1,115	3,739
Total revenues. . . . .	\$ 52,043	\$ 44,784	\$ 22,347	\$ 2,112	\$ 121,286
Expenditures:					
Current:					
Public safety - Building inspection . . . . .		39,854			39,854
Public works - Drains . . . . .				2,180	2,180
Community and economic development. . . . .	50,909				50,909
Recreation and culture. . . . .			22,256		22,256
Total expenditures. . . . .	\$ 50,909	\$ 39,854	\$ 22,256	\$ 2,180	\$ 115,199
Excess of revenues over (under) expenditures. . . . .	\$ 1,134	\$ 4,930	\$ 91	\$ (68)	\$ 6,087
Fund balance - July 1, 2006 . . . . .	13,411	73	522	15,322	29,328
Fund balance - June 30, 2007. . . . .	\$ 14,545	\$ 5,003	\$ 613	\$ 15,254	\$ 35,415



CITY OF SYLVAN LAKE, MICHIGAN  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 DEBT SERVICE FUNDS

For the Year Ended June 30, 2007

	Fire Stations Bond Fund	Combined Totals
Revenues:		
Taxes . . . . .	\$ 43,344	\$ 43,344
Interest earnings . . . . .	687	687
Total revenues. . . . .	\$ 44,031	\$ 44,031
Expenditures:		
Audit fees. . . . .	100	100
Debt service:		
Principal . . . . .	35,000	35,000
Interest and finance charges. . . . .	8,635	8,635
Total expenditures. . . . .	\$ 43,735	\$ 43,735
Excess of revenues over (under) expenditures. . . . .	\$ 296	\$ 296
Fund balance - July 1, 2006 . . . . .	12,981	12,981
Fund balance - June 30, 2007. . . . .	\$ 13,277	\$ 13,277

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

## CITY OF SYLVAN LAKE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 CAPITAL PROJECT FUNDS

For the Year Ended June 30, 2007

	Street and Drainage Capital Project Fund	Water Improvement Construction Fund	Combined Totals
Revenues:			
Charge for services . . . . .	\$ 97,020	\$	\$ 97,020
Interest earnings . . . . .	10,941	4,543	15,484
Total revenues. . . . .	\$ 107,961	\$ 4,543	\$ 112,504
Expenditures:			
Construction. . . . .	97,020		97,020
Excess of revenues over expenditures. . . . .	\$ 10,941	\$ 4,543	\$ 15,484
Other financing uses:			
Transfer to Road Funds. . . . .	70,956		70,956
Total other financing uses. . . . .	\$ 70,956	\$	\$ 70,956
Excess of revenues (under) other uses . . . . .	\$ (60,015)	\$ 4,543	\$ (55,472)
Fund balance - July 1, 2006 . . . . .	188,432	86,584	275,016
Fund balance - June 30, 2007. . . . .	\$ 128,417	\$ 91,127	\$ 219,544

JANZ &amp; KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 AGENCY FUNDS

June 30, 2007

	Escrow Fund	Tax Collection	Total
<b>ASSETS</b>			
Cash and investments . . . . .	\$ 115,213	\$ 24	\$ 115,237
Accounts receivable . . . . .	327		\$ 327
Total assets . . . . .	<u>\$ 115,540</u>	<u>\$ 24</u>	<u>\$ 115,564</u>
<b>LIABILITIES</b>			
Accounts payable . . . . .	\$ 73,158	\$	\$ 73,158
Due to other funds . . . . .	42,382		42,382
Due to other governments . . . . .		24	24
Total liabilities . . . . .	<u>\$ 115,540</u>	<u>\$ 24</u>	<u>\$ 115,564</u>

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CITY OF SYLVAN LAKE, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
COMMUNITY PROMOTION/ECONOMIC DEVELOPMENT

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes . . . . .	\$ 49,950	\$ 49,950	\$ 49,848	\$ (102)
Interest earnings . . . . .	1,600	1,600	2,195	595
Total revenues. . . . .	\$ 51,550	\$ 51,550	\$ 52,043	\$ 493
Expenditures:				
Current:				
Salaries and benefits . . . . .	21,636	21,636	16,870	4,766
Postage . . . . .	3,400	3,400	1,759	1,641
Planning and development. . . . .		20,000	25,480	(5,480)
Beautification. . . . .	12,500	12,500	1,678	10,822
Cable TV. . . . .	2,000	2,000		2,000
Memorial Day parade . . . . .	500	500	47	453
Website . . . . .	3,213	3,213	1,629	1,584
Fireworks . . . . .	750	750	750	
Printing and publishing . . . . .	6,000	6,000	2,696	3,304
Total expenditures. . . . .	\$ 49,999	\$ 69,999	\$ 50,909	\$ 19,090
Excess of revenues over (under) expenditures. . . . .	\$ 1,551	\$ (18,449)	\$ 1,134	\$ 19,583
Fund balance - July 1, 2006 . . . . .	13,411	13,411	13,411	
Fund balance - June 30, 2007. . . . .	\$ 14,962	\$ (5,038)	\$ 14,545	\$ 19,583

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## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
BUILDING DEPARTMENT FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Licenses and permits. . . . .	\$ 42,700	\$ 42,700	\$ 44,446	\$ 1,746
Interest earnings . . . . .	200	200	338	138
Total revenues. . . . .	\$ 42,900	\$ 42,900	\$ 44,784	\$ 1,884
Expenditures:				
Current:				
Salaries. . . . .	32,684	32,684	30,756	1,928
Benefits. . . . .	6,732	6,732	7,065	(333)
Supplies and miscellaneous. . . . .	2,466	2,466	2,033	433
Total expenditures. . . . .	\$ 41,882	\$ 41,882	\$ 39,854	\$ 2,028
Excess of revenues over (under) expenditures. . . . .	\$ 1,018	\$ 1,018	\$ 4,930	\$ 3,912
Other financing uses:				
Operating transfers out . . . . .	1,018	1,018		1,018
Excess of revenues over (under) expenditures and other uses . . . . .	\$	\$	\$ 4,930	\$ 4,930
Fund balance - July 1, 2006 . . . . .	73	73	73	
Fund balance - June 30, 2007. . . . .	\$ 73	\$ 73	\$ 5,003	\$ 4,930

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## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
LIBRARY FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes . . . . .	\$ 22,205	\$ 22,205	\$ 22,157	\$ (48)
State sources . . . . .	120	120	99	(21)
Interest earnings . . . . .	140	140	91	(49)
Total revenues . . . . .	\$ 22,465	\$ 22,465	\$ 22,347	\$ (118)
Expenditures:				
Contractual services . . . . .	22,205	22,205	22,157	48
Miscellaneous . . . . .	120	120	99	21
Total expenditures . . . . .	\$ 22,325	\$ 22,325	\$ 22,256	\$ 69
Excess of revenues over (under) expenditures . . . . .	\$ 140	\$ 140	\$ 91	\$ (49)
Fund balance - July 1, 2006 . . . . .	522	522	522	
Fund balance - June 30, 2007 . . . . .	\$ 662	\$ 662	\$ 613	\$ (49)

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## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
LAKE LEVEL/DRAINS FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes . . . . .	\$ 1,000	\$ 1,000	\$ 997	\$ (3)
Interest earnings . . . . .	800	800	1,115	315
Total revenues . . . . .	\$ 1,800	\$ 1,800	\$ 2,112	\$ 312
Expenditures:				
Lake level - county drain . . . . .	2,500	2,500	2,180	320
Audit . . . . .	50	50		50
Total expenditures . . . . .	\$ 2,550	\$ 2,550	\$ 2,180	\$ 370
Excess of revenues over (under) expenditures . . . . .	\$ (750)	\$ (750)	\$ (68)	\$ 682
Fund balance - July 1, 2006 . . . . .	15,322	15,322	15,322	
Fund balance - June 30, 2007 . . . . .	\$ 14,572	\$ 14,572	\$ 15,254	\$ 682

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## CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
FIRE STATION BOND FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes . . . . .	\$ 43,435	\$ 43,435	\$ 43,344	\$ (91)
Interest earnings . . . . .	400	400	687	287
Total revenues . . . . .	\$ 43,835	\$ 43,835	\$ 44,031	\$ 196
Expenditures:				
Audit fees . . . . .	100	100	100	
Debt Service:				
Principal . . . . .	35,000	35,000	35,000	
Interest . . . . .	8,235	8,235	8,235	
Paying agent fees . . . . .	500	500	400	100
Total expenditures . . . . .	\$ 43,835	\$ 43,835	\$ 43,735	\$ 100
Excess of revenues over (under) expenditures . . . . .	\$	\$	\$ 296	\$ 296
Fund balance - July 1, 2006 . . . . .	12,981	12,981	12,981	
Fund balance - June 30, 2007 . . . . .	\$ 12,981	\$ 12,981	\$ 13,277	\$ 296

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CITY OF SYLVAN LAKE, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
STREET AND DRAINAGE CAPITAL PROJECT FUND  
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Services rendered . . . . .	\$	\$	\$ 97,020	\$ 97,020
Interest earnings . . . . .	10,000	10,000	10,941	941
Total revenues . . . . .	\$ 10,000	\$ 10,000	\$ 107,961	\$ 97,961
Expenditures:				
Construction . . . . .			97,020	(97,020)
Excess of revenues over expenditures . . . . .	\$ 10,000	\$ 10,000	\$ 10,941	\$ 941
Other financing uses:				
Transfer to Road Funds . . . . .	308,350	308,350	70,956	237,394
Total other financing uses . . . . .	\$ 308,350	\$ 308,350	\$ 70,956	\$ 237,394
Excess of revenues (under) expenditures and other uses . . . . .	\$ (298,350)	\$ (298,350)	\$ (60,015)	\$ 238,335
Fund balance - July 1, 2006 . . . . .	188,432	188,432	188,432	
Fund balance - June 30, 2007 . . . . .	\$ (109,918)	\$ (109,918)	\$ 128,417	\$ 238,335

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

# JANZ & KNIGHT, P.L.C.

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1954-2004

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CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

December 19, 2007

To the City Council and Management of  
the City of Sylvan Lake, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sylvan Lake as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Sylvan Lake's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

The adoption of the Michigan Uniform Local Budgeting Act (Act No. 621, Public Acts of 1978), has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amounts. We noted that the budget was amended during the fiscal year in an attempt to comply with the budget requirements. As previously noted, despite the amendments, expenditures exceeded budgeted amounts in various activities. Listed below are the significant budget overruns:

Fund	Activity	Budget Appropriation	Actual Expenditure	Budget Variance
General	Attorney	\$ 40,500	\$ 51,986	\$ 11,486
General	Parks and recreation	61,710	64,536	2,826
General	Insurance and benefits	235,847	259,373	23,526
Major Road	Construction		20,932	20,932*
Local Road	Construction		50,024	50,024*
Community Promotion/ Economic Development	Planning and development	20,000	25,480	5,480
Community Center Capital Project	Fees and construction	26,000	40,552	14,552

\*Construction expenditure budgeted in capital project fund.

Budgets adopted for two funds included unappropriated surplus in excess of fund balance. A balanced budget limits the use of unappropriated surplus not to exceed fund balance.

This communication is intended solely for the information and use of management, the City Council, and others within the City, and not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Janz & Knight, PLLC*

Certified Public Accountants

J&K/srz